

April 20, 2023

By E-mail

Hon. Martin Glenn
Chief United States Bankruptcy Judge
United States Bankruptcy Court
Southern District of New York
One Bowling Green, Courtroom 523
New York, NY 10004-1408

Re: In re Celsius Network LLC, No. 22-10964 (MG) – ORDER AUTHORIZING THE DEBTORS TO CREDIT FLARE TOKENS TO ELIGIBLE ACCOUNT HOLDERS (ECR #1931)

Dear Chief Judge Glenn:

On January 24, 2023, the Court signed an order authorizing the debtors to credit flare tokens to eligible account holders (ECR # 1931). Following entry of this order I petitioned both the Debtors in Possession (“Debtors”) and the Unsecured Creditors Committee (“Committee”) for updates regarding the status of this order.

Furthermore, on April 3, 2023, the Debtors filed an updated coin report (ECR # 2361) where the FLR token is not mentioned as one of the top 25 coins. It’s possible this is because the Debtor has not recognized these tokens as property of the Estate; however, by failing to transfer Flare tokens to Creditors in a timely fashion as ordered in ECR #1931, it’s likely that Creditors will only see 15% of the tokens they were otherwise eligible to receive if the tokens had been properly transferred, wrapped, and claimed.

Given that the Court took the time and interest to sign an order regarding this token, I would appreciate if the Court would make the following formal inquiries of the Debtors:

1. What actions have the Debtors taken as a result of the 24 January Flare Token order?
2. How many Flare tokens were received on 9 January, 17 March and 16 April?
3. How many tokens have been subsequently:
 - a. Claimed? (Tokens not claimed within 67d get burned)
 - b. Wrapped? (Unwrapped tokens are not eligible for future distributions)
 - c. Delegated? (Delegating allows tokens to generate a small amount of yield)

Background

The Court may not be aware that due to the bankruptcies of Celsius Network and other platforms, the community behind the Flare Network token passed a proposal requiring distributed FLR to be ‘wrapped’ in order to qualify for future distributions. The intent of this proposal was to avoid directing tokens to addresses where the end customers could not actually access the tokens. If received tokens are not “wrapped”, otherwise eligible addresses will not receive further distributions.

The Flare Improvement Proposal Implementation Guide describes the implications of this change:

New method for the FlareDrop Distribution

The distribution was initially intended for users who held XRP in December 2020. They were to receive 15% in an initial distribution, and the rest over 36 months without any further action required.

The initial 15% distribution was completed during the **Flare Token Distribution Event** on 9 January, but following the approval of FIP-01, the remaining 85% of the distribution will instead be shared by all holders of wrapped FLR.

As per the original plan, this will still be split into 36 installments: 35 installments of 676,040,637 FLR and one final installment of 584,760,888 FLR. Combined with the initial 15% distribution, this totals 28,524,921,372 FLR to be provided directly to the Flare community.

Every 30 days, each installment will be proportionally allocated to wallets that hold wrapped FLR (WFLR). The tokens must be claimed within 67* days or they will be burned.

Figure 1 - <https://flare.network/fip-01-reference-guide/>

Further along in the implementation guide it states, “The first of the 36 distributions will take place on Friday 17 March at 12:00 UTC. WFLR holdings will be calculated based on three random blocks from the previous 23 days. Subsequent distributions will happen every 30 days.”

To be clear, just taking the 17 March distribution into account if these tokens were not adequately “wrapped” by the Debtor before February 22, 2023, Creditor value had already been lost because of the need to be wrapped 23 days in advance of the distribution. The third distribution is 16 May meaning only Flare wrapped by April 23, 2023, will be eligible.

The issue of the Flare token has already consumed the Court’s time. I respectfully ask the Court to follow-up with the Debtor about the actions taken since the order was issued and ensure the Debtor is taking the necessary actions with respect to the FLR token. I do not personally have a FLR token claim; however, I have been vocal on UCC Town Hall meetings about this issue and like you, I would like to see Creditors receive as much value back as possible.

Sincerely,

Robert Christiansen
Pro Se Creditor

Appendix 1 – Email Communications

Sent: Tuesday, January 24, 2023 11:21 AM

To: Celsius UCC <celsiuscommitteeinquiries@whitecase.com>; #CelsiusCreditorQuestions <Celsiuscreditorquestions@kirkland.com>

Subject: Encouraged by the granting of the FLR motion however unlikely to see future distributions. Here's why

I appreciate the FLR ruling; however, I feel debtor's counsel was unnecessarily vague about what exactly "crediting" means and what account (custody vs earn) will receive the credit.

Nevertheless, it's important for both Committees to understand that if creditors are not actually able to withdraw the FLR it's unlikely any of the future 36 distributions will be received. Why? Because Flare currently has an [active proposal](#) with 95.26% approval to change the distribution to only distribute to the addresses with "wrapped" FLR. As a result, if Celsius doesn't actually allow FLR withdrawals or take the action to "wrap" the FLR on behalf of creditors then it's likely only 15% of the FLR will be received by Celsius.

Please make the FLR available for actual withdrawal! At a minimum please "wrap" the FLR so that the overall estate position is improved. [Here's how per Ledger](#)



[How to wrap and delegate Flare \(FLR\) tokens](#)

This article describes how to wrap FLR and delegate WFLR tokens using the Oracle Delegator App. You can learn more about Oracle here. Before you start Ensure Ledger Live is running to the latest v...

support.ledger.com

[FIP.01: Widen FLR distribution and reduce inflation I Flare Networks](#)

The original 10% inflation rate is based on the total fully diluted supply of FLR. The proposed inflation rate is based on the available supply of FLR, not the fully diluted supply, and it is capped at 5B FLR per annum.

proposals.flare.network

□

Sent: Friday, January 27, 2023 8:23 PM

To: CelsiusCreditorAnswers <CelsiusCreditorAnswers@kirkland.com>; Celsius UCC <celsiuscommitteeinquiries@whitecase.com>

Subject: Re: Encouraged by the granting of the FLR motion however unlikely to see future distributions. Here's why

The FLARE proposal passed. Someone needs to get that FLR wrapped or there won't be any more distributions.

<https://twitter.com/FlareNetworks/status/1618985463422894080?t=U2e9Swjs6fGoq9S4Uw6Bhg&s=19>

Sent: Sunday, February 19, 2023 8:58 AM

To: CelsiusCreditorAnswers <CelsiusCreditorAnswers@kirkland.com>; Celsius UCC <celsiuscommitteeinquiries@whitecase.com>

Subject: Re: Encouraged by the granting of the FLR motion however unlikely to see future distributions. Here's why

Please wrap those FLR tokens ASAP!

<https://twitter.com/robchristiansen/status/1627335834373586944?s=61&t=K3SmhytxgebvFnpQo22xzQ>

Mon 2/27/2023 2:36 PM

To: CelsiusCreditorAnswers <CelsiusCreditorAnswers@kirkland.com>; Celsius UCC <celsiuscommitteeinquiries@whitecase.com>

You have to wrap the Flare and Songbird tokens if you're going to continue to get any future distributions.

Not doing this constitutes a lack of fiduciary duty to the estate.

FlareDrop Distributions will be available to claim at 12:00 UTC every 30 days

17 March 2023	11 March 2024	6 March 2025
16 April 2023	10 April 2024	5 April 2025
16 May 2023	10 May 2024	5 May 2025
15 June 2023	9 June 2024	4 June 2025
15 July 2023	9 July 2024	4 July 2025
14 August 2023	8 August 2024	3 August 2025
13 September 2023	7 September 2024	2 September 2025
13 October 2023	7 October 2024	2 October 2025
12 November 2023	6 November 2024	1 November 2025
12 December 2023	6 December 2024	1 December 2025
11 January 2024	5 January 2025	31 December 2025
10 February 2024	4 February 2025	30 January 2026

More info: <https://flare.network/fip-01-reference-guide/>

Latona, Dan

← ↶ ↷ ...

To: You; Golic, Amila; Celsius UCC

Fri 3/10/2023 1:25 PM

Rob, we are working with Flare to determine the most efficient way to distribute the tokens to account holders on the Debtors' platform. We are aware of the situation.

Dan Latona

To: Latona, Dan; Golic, Amila; Celsius UCC

Mon 3/13/2023 8:00 AM

Mr. Latona,

Can you please provide more specifics about the actual state of your interaction with Flare. In particular, will Celsius receive the next distribution of FLR on 17 March?

I don't understand the need for confidentiality here. You've either done the work to get the distribution or you haven't. A positive development would be very much welcomed.

Rob

To: Latona, Dan; Golic, Amila; Celsius UCC

Thu 3/30/2023 12:19 AM

Mr. Latona,

What actual progress have you made with respect to FLR? Did you receive any FLR in association with the most recent airdrop on 17 March?

I noted that FLR is not reflected in the updated claims document you published (Doc 2311, Filed 03/24/23) despite the Court's signed order to "credit" the flare token to Creditor's accounts. I reiterate the entire Estate is missing out on this incremental value due to your inaction.

Rob

Appendix 2 – Twitter Communications



Rob Christiansen
@robchristiansen

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I agree with @crypto_chik01 100%! The Flare snapshot was taken long before Earn and Custody were even on the radar. Once the snapshot was taken we had no way any of us could redirect the airdrop to avoid Earn. Please distribute Flare ASAP @CelsiusUcc and @CelsiusNetwork



Ms. Defi @crypto_chik01 · 1/9/23

Replying to @CelsiusUcc

The Flare token airdrop was released today to XRP holders. Can you please confirm the airdropped tokens will be distributed to creditors who are the rightful owners of the XRP tokens? It would be beyond absurd for Flare tokens be distributed to @CelsiusNetwork

8:06 PM · 1/9/23

Figure 2- <https://twitter.com/robchristiansen/status/1612646937643356160?s=61&t=EY22Bpiid9GodnoevtS4cw>



Rob Christiansen
@robchristiansen

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@CelsiusNetwork and @CelsiusUcc The Estate REALLY needs to WRAP the Flare token that was already airdropped to your addresses or else the Estate/Creditors WILL NOT BENEFIT FROM ANY MORE distributions.

You have a FIDUCIARY duty to do so. @Silkee_D
@ThomasADiFiore

Flare @FlareNetworks · 2/19/23

The first of the 36 distributions will take place on March 17th, 2023.

A wallet's average WFLR holdings will be calculated based upon three random blocks from the previous 23 days. The FlareDrop Distributions will be available to claim every 30 days.

7/7

[Show this thread](#)

FlareDrop Distributions will be available to claim at 12:00 UTC every 30 days

17 March 2023	11 March 2024	6 March 2025
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16 May 2023	10 May 2024	5 May 2025
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12 November 2023	6 November 2024	1 November 2025
12 December 2023	6 December 2024	1 December 2025
11 January 2024	5 January 2025	31 December 2025
10 February 2024	4 February 2025	30 January 2026

8:54 AM · 2/19/23

Figure 3 - <https://twitter.com/robchristiansen/status/1627335834373586944?s=61&t=EY22Bpiid9GodnoevtS4cw>



Rob Christiansen
@robchristiansen

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Also emailed this to K&E and W&C for documentation purposes.

To: CelsiusCreditorAnswers; Celsius UCC
Sun 2/19/2023 8:58 AM
Please wrap those FLR tokens ASAP!
<https://twitter.com/robchristiansen/status/1627335834373586944?s=61&t=K3SmhytxgebvFnpQo22xzQ>

8:59 AM · 2/19/23

Figure 4 - <https://twitter.com/robchristiansen/status/1627337117507670022?s=61&t=EY22Bpiid9GodnoevtS4cw>